



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SEP 30 2013

VIA FIRST CLASS MAIL

Glenn Lovett, Jr. PLC
Attorney at Law
P. O. Box 1575
Jonesboro, AR 72403

RE: MUR 6605

Dear Mr. Lovett:

On July 9, 2012, the Federal Election Commission notified your clients, Gary Latanich for Congress and Janet L. Lee in her official capacity as treasurer (the "Committee"), of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended. On September 24, 2013, based upon the information contained in the complaint, and information provided by the Committee, the Commission decided to dismiss the complaint and closed its file in this matter. Accordingly, the Commission closed the file on September 24, 2013.

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003) and Statement of Policy Regarding Placing First General Counsel's Reports on the Public Record, 74 Fed. Reg. 66,132 (Dec. 14, 2009). The Factual and Legal Analysis, which explains the Commission's finding, is enclosed for your information.

If you have any questions, please contact Ruth Heilizer, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,

General Counsel

BY: Jeff S. Jordan
Supervisory Attorney
Complaints Examination and
Legal Administration

Enclosure
Factual and Legal Analysis

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**FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS**

RESPONDENTS: Gary Latanich for Congress and
Janet L. Lee as treasurer

MUR: 6605

I. GENERATION OF MATTER

This matter was generated by a Complaint filed by Jason Stanford alleging violations of the Federal Election Campaign Act of 1971, as amended (the "Act") and underlying Commission regulations by Gary Latanich for Congress and Janet L. Lee as treasurer (collectively the "Committee"). After reviewing the record, the Commission exercised its prosecutorial discretion and dismissed the matter pursuant to *Heckler v. Chaney*, 470 U.S. 821 (1985).

II. FACTUAL AND LEGAL ANALYSIS

According to the Complaint and attachments thereto, the Committee¹ violated the Act's reporting requirements in connection with an \$8,765.84 debt it allegedly owed to Complainant's company, Stanford Campaigns. *See* Compl. at 1-2.² Specifically, the Complaint states that on January 8, 2012, Stanford Campaigns entered into an agreement with the Committee to perform public records research and analysis. *Id.* at 1; *see also id.*, Attach. 1 (agreement). According to the agreement, which was signed by then-treasurer Amanda Boulden, the Committee agreed to pay Stanford Campaigns a fee of \$10,000, in addition to reimbursing it for related out-of-pocket expenses. *Id.* On February 6, 2012, Stanford Campaigns received a payment from the

¹ The Committee is the campaign committee of Gary Latanich, an unsuccessful candidate in the May 22, 2012 Democratic primary election for Arkansas's 1st Congressional District.

² The Complainant, Jason Stanford, is the president of Stanford Campaigns. Compl., Attach. 1 at 3. According to its website, Stanford Campaigns provides opposition research, campaign strategy, and communications services.

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1 Committee in the amount of \$2,500. *Id.* at 2; *see also id.*, Attachs. 2-3 (invoice and Committee
2 check for \$2,500). The Complaint states that the check cleared and is not part of the amount in
3 dispute. *Id.* at 2.

4 On February 21, 2012, Stanford Campaigns invoiced the Committee for the remaining
5 \$7,500 plus \$1,265.84 in "research and travel expenses," for a total of \$8,765.84. Compl. at 2;
6 *see also id.*, Attach. 4 (invoice). Thereafter, Stanford Campaigns received a second check from
7 the Committee on March 19, 2012. *Id.* at 2. The check, in the amount of \$7,500, was "postdated
8 as per an informal agreement with then campaign manager, Mr. Peter Grumbles." *Id.*; *see also*
9 *id.*, Attach. 5 (Committee check for \$7,500, dated April 5, 2012).³ When Stanford Campaigns
10 sought to cash the check, however, it was returned by the bank "for insufficient funds." *Id.* at 2.

11 Citing Commission regulations 11 C.F.R. §§ 104.3(d), 104.11, and 116.10, the Complaint
12 alleges that the Committee was required to report the amount it allegedly owed to Stanford
13 Campaigns on Schedule D of its financial disclosure reports. Compl. at 1. However, the
14 Complaint claims that the Committee failed to do so. *Id.*

15 Gary Latanich, responding on behalf of his Committee, acknowledges that the Committee
16 failed to disclose the debt, but asserts that this resulted from "Mr. Stanford's failure to send an
17 invoice to the campaign and his failure to respond to a letter sent to him by the campaign's newly
18 acquired attorney." Resp. at 1. Latanich explains that his campaign manager, Peter Grumbles,
19 and treasurer Boulden "quit the campaign on April 2, [2012,] because the campaign did not have
20 the funds to make the scheduled March 15 payment to them." *Id.* Before doing so, Grumbles
21 instructed Boulden to write a \$2,000 check "to Mr. Grumbles' firm, {set} Strategies [*sic*],

³ After receiving the second check, Stanford Campaigns provided the Committee with a report on candidate Clark Hall, one of Latanich's primary election opponents. Compl. at 2.

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1 leaving the campaign with a balance of about \$750.” *Id.* According to Latanich, Grumbles and
2 Boulden also “sent a post dated check to Stanford Research for \$7,500, with instructions to
3 submit the check for payment after they had left the campaign, with full knowledge that the
4 check would not clear.” *Id.* at 1-2.

5 Latanich states that after the departure of Grumbles and Boulden, replacement treasurer
6 Janet L. Lee “located outstanding invoices and recorded them as debts against the campaign.”
7 Resp. at 1. Although a letter from Stanford Campaigns alluding to the agreement was
8 discovered, there was no invoice stating the amount owed. *Id.* On June 4, 2012, the
9 Committee’s counsel submitted a letter to the Complainant setting forth the Committee’s belief
10 that it did not owe his company any additional money. *Id.* at 2. Since Stanford Campaigns did
11 not respond, the Committee filed its next financial disclosure report, the 2012 July Quarterly
12 Report, without disclosing a debt to Stanford Campaigns. *Id.* Latanich claims that the
13 Committee learned of the debt when Stanford filed the Complaint in this matter with an invoice
14 attached. *Id.* As a result, Latanich states in the Response that the Committee would amend its
15 reports to disclose the debt, although it planned to challenge the amount allegedly owed. *Id.*

16 Under 11 C.F.R. § 116.1(d),

17 *disputed debt* means an actual or potential debt or obligation owed by a
18 political committee, including an obligation arising from a written
19 contract, promise, or agreement to make an expenditure, where there is a
20 bona fide disagreement between the creditor and the political committee as
21 to the existence or amount of the obligation owed by the political
22 committee.
23

24 Furthermore, “[a] political committee shall report a disputed debt in accordance with 11 CFR
25 104.3(d) and 104.11 if the creditor has provided something of value to the political committee”
26 and “[u]ntil the dispute is resolved, the political committee shall disclose on the appropriate

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1 reports any amounts paid to the creditor, any amount the political committee admits it owes, and
2 the amount the creditor claims is owed.” 11 C.F.R. § 116.10(a).

3 Here, the Committee, through Latanich, acknowledges that it should have reported the
4 \$8,765.84 debt claimed by Stanford Campaigns on its financial disclosure reports. Resp. at 1. A
5 review of the Committee’s filings indicate that the Committee amended its 2012 April Quarterly,
6 12-Day Pre-Primary, and July Quarterly Reports to disclose the debt.⁴ The Committee also
7 disclosed the debt on its 2012 October Quarterly Report, the first financial disclosure report it
8 filed after receiving the Complaint and accompanying invoice and agreement.⁵ Moreover, after
9 the Complaint and Response were filed, the Committee and Stanford Campaigns agreed to settle
10 the debt for \$2,000. See Committee’s Debt Settlement Plan (“DSP”) at 4 (Settlement Agreement
11 and Release by Stanford Campaigns) (April 22, 2013).⁶

12 The Committee acted promptly to amend its financial disclosure reports and disclose the
13 debt to Stanford Campaigns after it received copies of the relevant invoice and agreement.
14 Therefore, in furtherance of the Commission’s priorities relative to other matters pending on the
15 Enforcement docket, the Commission exercised its prosecutorial discretion and dismissed this
16 matter pursuant to *Heckler v. Chaney*, 470 U.S. 821 (1985).

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⁴ See Amended 2012 April Quarterly Report at 24 (Oct. 16, 2012), <http://images.nictusa.com/pdf/191/12972706191/12972706191.pdf>; Amended 2012 12-Day Pre-Primary Report at 12 (Oct. 15, 2012), <http://images.nictusa.com/pdf/804/12954405804/12954405804.pdf>; Amended 2012 July Quarterly Report at 10 (Oct. 15, 2012), <http://images.nictusa.com/pdf/502/12954406502/12954406502.pdf>.

⁵ See 2012 October Quarterly Report at 9 (Oct. 15, 2012), <http://query.nictusa.com/pdf/388/12972650388/12972650388.pdf#navpanes=0>.

⁶ The DSP was approved on July 10, 2013. See <http://query.nictusa.com/pdf/197/13330034197/13330034197.pdf#navpanes=0>.

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